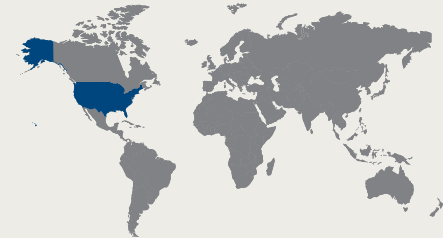


Market Research

INDUSTRIAL | THIRD QUARTER | 2009



MARKET INDICATORS

3Q 2009 4Q 2009*

VACANCY ↔ ↑

NET ABSORPTION ↑ ↓

CONSTRUCTION ↔ ↔

LEASE RATES ↓ ↓

SUBLEASE RATES ↓ ↓

CAP RATES ↑ ↑

LAND PRICES ↓ ↓

*PROJECTED

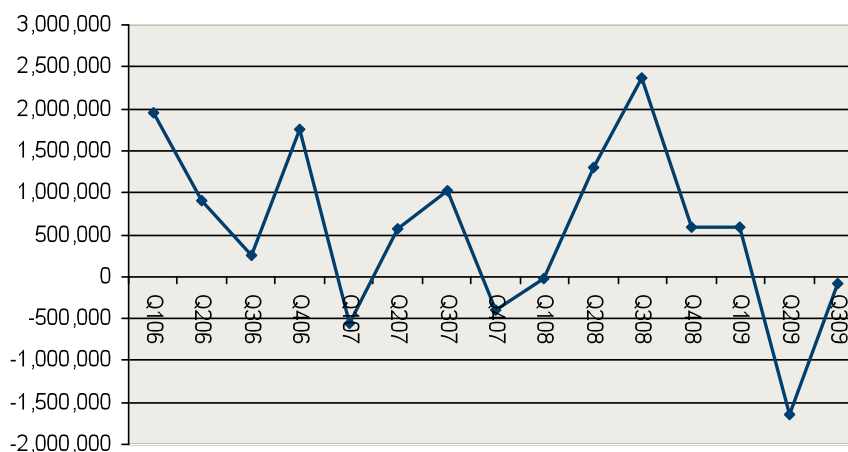
Overview

Several significant lease transactions in the Stockton submarket highlighted third quarter activity for San Joaquin County. General Mills leased 735,980 square feet at the Opus Logistics Center, Whirlpool leased 443,640 square feet from Panattoni Development at the Airport Gateway Center west of the Stockton Metropolitan Airport and O'Reilly Auto Parts leased 519,840 square feet from Buzz Oates at the Central Valley Industrial Park. Electric vehicle pioneer, EVI leased 53,500 square feet from First Industrial. Both the Tracy and Stockton submarkets continue to experience the highest vacancy rate at 21.6% and 19.4% respectively. Year end projections, which include the fourth quarter, indicate that the activity experienced in the third quarter, represents the greatest amount of activity for all of 2009.

Warehouse Distribution

Big box warehouse distribution vacancy rates appear to be stabilizing. The significant transactions highlighted above were negated by new space that came back to the market. Landlords left asking rates virtually unchanged but are aggressively pursuing credit tenants seeking space, through creative leasing incentives.

NET ABSORPTION



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Light Industrial

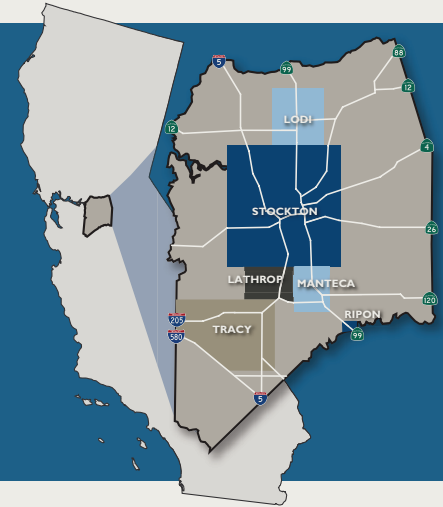
The light industrial sector of the market continues to remain stagnant. A lack of tenant activity combined with a growing inventory of available space is keeping rents soft and vacancy up. Building values in this sector have been difficult to pin-point due to the lack of recent comparable sales in the market.

Condo/Incubator Units

The over-built industrial condominium market continues to suffer far greater than any other product type in San Joaquin County. This sector has experienced the most significant number of units going back to the bank, a trend that is expected to continue into 2010. Values are expected to continue to decline. Many owners have stopped advertising asking sale prices and are seeking to fill vacancy by securing short term leases.

Construction

New construction starts for the third quarter totaled 92,500 square feet for San Joaquin County. Grainger Industrial Supplies is under construction on an 840,000 square foot distribution center at the Keystone Business Park in Patterson, CA, located to the south in Stanislaus County. Speculative construction remains non-existent and will be for the foreseeable future in the Central Valley. Reductions in vacancy and increased rent will need to coincide with an energized lending market and a substantial uptick in demand before speculative construction is considered.



“Reductions in vacancy and increased rent will need to coincide with an energized lending market and a substantial uptick in demand before speculative construction is considered.”

MARKET ACTIVITY

SIGNIFICANT THIRD QUARTER TRANSACTIONS

SIGNIFICANT LEASES

PROPERTY ADDRESS	DATE	SQUARE FEET	TENANT	TYPE
4173 Newcastle Rd, Stockton	8/2009	735,980	General Mills	Warehouse/Distribution
3412 Perlman Dr, Stockton	8/2009	519,840	O'Reilly Auto Parts	Warehouse/Distribution
1030 Runway Dr, Stockton	8/2009	443,640	Whirlpool	Warehouse/Distribution

SIGNIFICANT SALES

PROPERTY ADDRESS	DATE	SQUARE FEET	BUYER/SELLER	TYPE
4114 S Airport Way, Stockton	7/2009	264,418	Bixby Land Co/ProLogis	Warehouse/Distribution
2331 Teepee Dr, Stockton	8/2009	23,838	Onsite Recycling/Debb LLC	Warehouse/Distribution

Trends

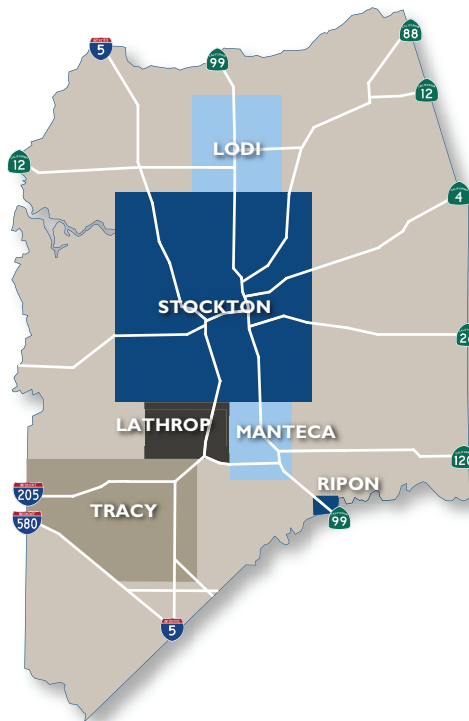
- Banks continue to struggle with the disposition of distressed properties, short sales and foreclosures. To date, securing a transaction on “bank owned” real estate, has proven to be a significant hurdle, as the majority of bank owned assets consist of small building and condominium product.
- Lease rates will continue to decline until vacancy stabilizes and demand increases.
- Investor activity has been minimal as values have not met buyer expectations in this economy. Institutional assets with credit tenants are trading 175-250 basis points above the height of the market in 2006/2007.

Outlook:

- A window of opportunity exists for tenants and buyers looking to capitalize on low lease rates and concessions offered by landlords, until the market stabilizes.
- Land will continue to remain stagnant as users continue to identify existing buildings at below replacement cost. Development fees, impact fees, mitigation fees, new construction costs, and a tight credit market, are factors that will keep the demand for land on the back burner for the time being.
- Most investors will continue to be selective and wait for values to meet the market.
- San Joaquin County will continue to lead the Northern California region as the premium “Big Box” distribution market for tenants and users.

San Joaquin County Geographical Overview:

San Joaquin County is located directly east of the San Francisco/Oakland Bay Area. Its geographical position within the Central Valley is ideal for the distribution industry. San Joaquin County has cultivated extensive transportation systems which provide the means to distribute goods throughout California, the Western U.S., and the Nation. These systems include; The Port of Stockton, Interstate 5, Interstate 580, Highway 99, the Union Pacific intermodal facility in Lathrop, and the Burlington Northern Santa Fe intermodal facility in Stockton, along with the Stockton Metropolitan Airport. With these transportation systems in place, San Joaquin County is an ideal location for distribution centers and manufacturing facilities.



294 OFFICES IN 61 COUNTRIES ON 6 CONTINENTS

USA 94
Canada 22
Latin America 17
Asia Pacific 64
EMEA 97

48.1 billion in annual transaction volume
1.1 billion square feet under management
12,749 Professionals

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